
Drug Enforcement Administration

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Outline

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American Chemistry Council

- ACC is a 131-year old association representing the leading companies engaged in the business of chemistry in the U.S.
- Conducts research and advocacy on issues of interest to industry and organizes dialogue with companies and the U.S. government
- 140 member companies represent approximately 90% of the productive capacity for chemicals in the U.S.
- Members account for a 95% share of the basic chemicals and a 55% share of the specialty chemicals markets in the U.S.



Responsible Care®

- Global, voluntary industry initiative, extending beyond government requirements
- Requires continuous improvement in companies' environmental, health, safety and security performance
- Practiced in 47 countries across the globe and growing
- Obligation for ACC member companies
- Product stewardship principle



Responsible Care® Security Code (RCSC)

- Adopted by ACC Board in June 2002, following the terrorist attacks on 9/11 to further enhance chemical industry security
- RCSC imposes new site, value chain and cyber security requirements, with a June 2005 overall implementation deadline
- 100% compliance thus far
- ACC guidance, as well as company to company assistance tools developed in order to facilitate compliance



The U.S. Business of Chemistry

- Chemistry is a foundation industry that supplies every other manufacturing sector
- With \$459 BN in business in 2003, the U.S. chemical industry is by far the world's largest industry and single market
- America's number one exporting and third largest importing sector
- One of America's largest investors in Research and Development: \$22BN annually, generating 1 of every 8 patents issued in the U.S.
- Employs over 900,000 American workers who are paid a full one-third higher wages than the manufacturing average
- 4.5 times safer than the manufacturing average



The Global Business of Chemistry

- A \$1.94 trillion ever-expanding global business
- Present in virtually every country in the world, supplying essential starting material to every sector of the U.S. and global economy
- Chemical tariffs have been on the decline since the completion of World Trade Organization trade negotiations in 1995
- On average, world trade in chemicals increased approximately 7% per year during the timeframe 2000-2004 and exports grew 2.5 times as fast as trade
- Fastest growing markets include Latin America, Asia/Pacific, Middle East and Central/Eastern Europe



New U.S. Security Initiatives

- Customs Trade Partnership Against Terrorism (C-TPAT)
- Implemented by the Department of Homeland Security's (DHS), Customs and Border Protection (CBP) in 2002
- Voluntary security partnership between USG and the trade
- Approximately 90% of the world's trade is transported in cargo containers, including chemicals
- Current 7,000 C-TPAT participants represent:
 - 72 of the top 100 U.S. importers
 - 93% of inbound sea container cargo
 - 39 of the top 50 ocean carriers
- Access to Customs' compliance specialists and exchange of ideas, knowledge and best practices



New U.S. Security Initiatives

- Container Security Initiative (CSI), implemented by CBP in 2001
- Voluntary and reciprocal security partnership between U.S. and its trading partners
- Customs officials deployed to foreign seaports pre-screen containers destined for the U.S.
- Identify and examine cargo with the potential for terrorism
- CSI operational at 25 of the world's major seaports, extending port security protection to more than 80% of all U.S. bound containers



New U.S. Security Initiatives

- 24-hour Manifest Rule
- Mandatory rule, implemented by CBP since July 2003
- Sea carriers required to provide U.S. Customs with detailed sea container content information U.S. 24 hours before loading
- Rule allows U.S. Customs officers to analyze the container content information and identify potential terrorist threats before the U.S.-bound container is loaded at the foreign seaport
- Requirement for early, accurate and complete information



New U.S. Security Initiatives

- ACC supports industry-government partnerships
- Partnering to strengthen supply chain security against terrorism while facilitating legitimate trade
- DHS designated the U.S. chemical industry a critical infrastructure sector
- A continuous and reliable supply of chemicals is critical to the U.S. economy, national security and standard of living
- Shared benefits of partnering include enhanced transparency, development of best practices, greater understanding, and improved compliance



ACC Issues of Interest and Concern

- DEA Chemical Handler's Manual
- Anticipated final rule on chemical mixtures
- Proposed physical security requirements on precursors to methamphetamine
- Trafficking and terrorism links



DEA Chemical Handler's Manual

- DEA and industry collaborated in the conception, development and publication of the original Chemical Handler's Manual
- Manual reflects ACC-DEA partnering to produce best practices
- 2nd edition published in January 2004 without industry input
- New guidance on suspect practices relative to ephedrine and pseudoephedrine combination over-the-counter products
- Categorization of certain practices and entities raises concerns
- Renew collaboration on production and publication of the manual



DEA Mixtures Rule

- Anticipated publication of a final rule on chemicals mixtures
- ACC provided extensive input on the proposed rule
- Provisions of particular interest and impact include:
 - exemption by application process in the final rule
 - coverage of all trade names for a single mixture or blend
 - variations of concentrations in chemical mixtures
- Support DEA's central criteria for exemptions: unsuitability of a chemical for misuse and impracticality of recovery of the listed chemical from the mixture
- Recommend collective review and refinement of the chemical mixtures rule going forward



DEA's New Security Requirements

- Proposed rule on physical security of ephedrine, pseudoephedrine and phenylpropanolamine, published July 30, 2004
- New requirements for physical security in response to their diversion of methamphetamine production
- Specific concerns: consistency of physical security requirements with presented diversion trends, estimated compliance costs, and practicality of the requirements
- Propose Responsible Care® Security Code as an alternative compliance program to meet DEA's new security requirements



Responsible Care® Security Code

- ACC's Responsible Care® Security Code (RCSC) receiving widespread acclaim and acceptance
- RCSC cited as a "model program" by DHS Secretary Ridge
- CBP considering RCSC for recognition under C-TPAT
- U.S. Coast Guard accepts implementation of the RCSC as an alternative compliance program
- At least 2 U.S. states, Maryland and New Jersey, modeled their state level security regulations after the RCSC
- ACC promoting federal legislation consistent with the RCSC



Trafficking and Terrorism

- Increasing evidence of links between terrorist cells and international narco-traffickers including, Al Qaeda
- Market value of Afghan narcotics 10 higher than in the region of origin
- Al Qaeda associates caught smuggling drugs in the Arabian Sea, with the ultimate objective of accessing the top end of the drug market
- Implementation of C-TPAT and CSI has increased narcotics seizures
- DEA-industry partnership must evolve to respond to the combined terrorist-trafficker threat



Conclusions

- Ensuring the safety, quality, integrity and proper use of chemical products is fundamental to: *Responsible Care®*, free and secure trade and industry competitiveness
- The business of chemistry is a foundation industry and strategic national asset
- RCSC reinforces ACC's continued commitment and contribution to the war on drugs
- ACC is establishing and strengthening existing public-private partnerships on trade facilitation and supply chain security, and the DEA-industry partnership should be no exception



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